

**CIRRUS CONSULTANTS
FACSIMILE TRANSMISSION COVER SHEET**

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To: Paulette Vetleson, Greater Vancouver Regional District
cc: Barrie Mills, Greater Vancouver Regional District
John Barnes, Lower Mainland Large Gas Users Association
Brian Wallace/Ian Webb, Bull, Housser & Tupper

From: Peter Sagert, Cirrus

Date: January 30, 2001

Re: Request by Lower Mainland Large Gas Users Association

Fax Number: 451-6686 436-6707 688-2213 646-2506 641-4949

Originals will be:

FAXED ONLY X MAILED SENT BY COURIER

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This transmission has 6 page(s) including the cover sheet.

This fax is being submitted on behalf of the Lower Mainland Large Gas Users Association (LMLGUA). The LMLGUA represents institutions and industry including greenhouses. The LMLGUA made a submission to the GVRD through Bull, Housser & Tupper last night concerning the proposed Interim Approach to Fuel Switching. For convenience, a copy of that submission is attached.

The LMLGUA respectfully requests the opportunity to appear before the Planning and Environment Committee today and, if necessary, the GVRD Board of Directors, tomorrow concerning the GVRD staff proposal on the Interim Approach to Fuel Switching. Please advise if this request is accepted.

BULL, HOUSSER & TUPPER

BARRISTERS & SOLICITORS
Burns & Tupper/Mark Aguirre

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Reply Attention of: R. Brian Wallace
Direct Line: 641-4852
e-mail: RBW@bht.com
Our File No.: New
Date: January 29, 2001

BY FAX (604) 432-6251

Greater Vancouver Regional District
4330 Kingsway,
Burnaby, B.C.
V5H 4G8

Attention: Johnny Carline, Chief Administration Officer

Dear Sirs/Mesdames:

Re: Interim Approach to Fuel Switching

We have been requested by the Lower Mainland Large Gas Users Association (the "Association"), which is a group of institutional and industrial users of natural gas, to write to you to express the Association's alarm and serious concerns with the interim approach to fuel switching being recommended to the Greater Vancouver Regional District (GVRD) Planning and Environment Committee for consideration on January 30, 2001. The recommendations are contained in a proposal to the Planning and Environment Committee dated January 25, 2001 (the "Recommendation Report") which was prepared by Barrie Mills, the GVRD Air Quality Department Manager.

This report recommends the prohibition of the use of substitute fuels by companies with the capability to use natural gas and an alternate fuel such as fuel oil. The report is reacting to a perceived air emission crisis. A crisis which the Association says, based on the GVRD's own report, does not exist. Unfortunately, in overreacting to the perceived crisis the GVRD recommendation, if implemented, will cost B.C. government institutions and businesses millions of dollars and put at risk hundreds or thousands of jobs. This type of radical action should only be undertaken with care and where environmental gains clearly exist.

We draw the Board's attention to the following issues:

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1. No Measurable Impacts to Air Quality

Recent temporary fuel switching by institutions and businesses did not lead to a measurable change in air quality. The air quality index remained below 25 throughout December 2000 which is considered "good" air quality. The Recommendation Report confirms on page 3 that no impact on air quality has been found from fuel switching. In light of this fact the Board must reassess the perceived "crisis", step back, and make sure it is acting prudently.

Furthermore, institutional and industrial gas users contribute only a small percentage of the total emissions in the GVRD as illustrated by the attached graph from a recent GVRD report. The major emission sources continue to be light and heavy duty vehicles and consumer products.

Many businesses which do not switch fuels chose instead to temporarily shutdown or cut back their operations while natural gas prices remain high. These businesses thus reduce their emissions at the same time that other businesses and institutions temporarily switch fuels and increase their emissions. A significant net increase in emissions did not occur and the Recommendation Report acknowledges that the net effect has been no measurable impact on air quality.

Further, fuel switching is almost exclusively a winter occurrence and weather conditions in the lower mainland at this time of year provide good ventilation to disperse any increased emissions more quickly than during other times of the year.

There has been significant progress in reducing emissions over the past ten years which will continue as mobile sources reduce their contribution to the infrequent occurrences of poor air quality in the GVRD.

2. Impacts of Prohibiting Fuel Switching

The dramatic rise in natural gas prices has cost institutions and businesses in the GVRD millions of dollars. Some businesses have temporarily shut down and others have reduced production. Many workers have temporarily or permanently lost their jobs.

Institutions and businesses which switch fuels during periods of high natural gas prices stay in operation and continue to employ workers. Government run institutions in the GVRD such as universities, schools and hospitals which switch fuels save millions of public dollars.

Fuel switching occurs only at times when the demand for natural gas is greatest and therefore prices are highest. Allowing institutions and businesses to switch fuels at such times reduces the demand on natural gas and lowers the price for all consumers encouraging more customers to use natural gas.

If fuel switching is limited or prohibited it will unnecessarily result in unreasonable social and economic cost. There will be higher natural gas prices resulting from mandated natural gas use in a deregulated natural gas commodity market.

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3. Lack of Consultation

There has been no consultation with the public or stakeholders regarding the proposed interim measures. The Recommendation Report states on page 6 that "no consultation has occurred on proposed changes to Bylaw 603", while in the same paragraph acknowledging that some public consultation is desirable on significant changes.

The Recommendation Report was distributed on January 26, 2001, just two business days before the Planning and Environment Committee is scheduled to meet to review and vote on the recommendations. There is no need for the Planning and Environment Committee to rush its decision and two business days is simply not enough for the Committee to assess a far reaching and complex proposal.

The Association has requested from the GVRD Air Quality Department, on a number of occasions, emission data relating to natural gas fired boilers and heaters in the GVRD. This emission data was relied on by the Air Quality Department in preparing the *Draft Regulation for Gas-Fired Boilers and Heaters*. The Association is still waiting for this information. This is an example of the Air Quality Department's failure to respond to requests for information and to consult stakeholders.

The proposed recommendations are indeed significant and the Planning and Environment Committee and GVRD Board should not make a decision until all of the facts and issues are before them.

4. Fairness

Many energy users, including municipalities, in the GVRD are allowed to use diesel fuel oil without restriction and the proposal in the Recommendation Report will do nothing to change this. Translink, most trucking companies operating in the GVRD, and B.C. Ferries currently use diesel fuel oil as primary fuel in their vehicles or ferries. Yet energy users who primarily use natural gas, if the proposed recommendation is implemented will be prohibited from using alternative fuels. The natural gas users feel this would be discriminatory.

It is unfair and discriminatory for the institutional and industrial gas users to be prohibited from using alternative fuels on a temporary basis when other energy users are free to use diesel fuel oil on a full time basis without restriction.

Summary

The temporary fuel switching measures taken in the last two months have caused no measurable impact on air quality in the GVRD and approximately 75% of institutional and industrial gas users who switched fuels have now returned to natural gas. Natural gas is the primary fuel for which the users facilities were designed and is thus the users' preferred fuel.

While there has been no impact on air quality, temporary fuel switching has saved jobs and millions of dollars of taxpayers' money, and reduced demand on natural gas during a critical

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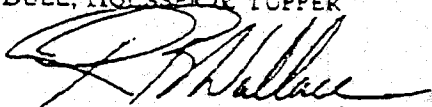
time. The perceived fuel switching crisis is no crisis at all and is manifesting itself in the unnecessary and over reaching proposed regulations.

There has been no consultation with the public or stakeholders concerning fuel switching and there is no need to rush these proposals through the Board now. Rushing the proposals through is not in the public interest. The Air Quality Department acknowledged that public consultation is desirable. The Association feels that public consultation is essential prior to the development of new regulations. Before proceeding any further the GVRD should complete a situation analysis and our clients recommend that a model similar to that contemplated in the *Regulatory Impact Statement Act* be used. To implement the proposed measures without such analysis and consultation is to put public and private sector jobs and services at risk needlessly. A common sense approach in light of all of the facts and issues is needed.

The Association would be pleased to make a presentation to the Environment and Planning Committee or to the Board.

Yours truly,

BULL, HOUSSEY & TUPPER



R. Brian Wallace

RBW/idw/904152

Copy to: George Pail, Chair
Barrie Mills, Manager - Air Quality
Jack Finlayson, B.C. Business Council
John Winter, B.C. Chamber of Commerce
John Barnes, Lower Mainland Large Gas Users Association
Peter Sagert, Citrus Consultants

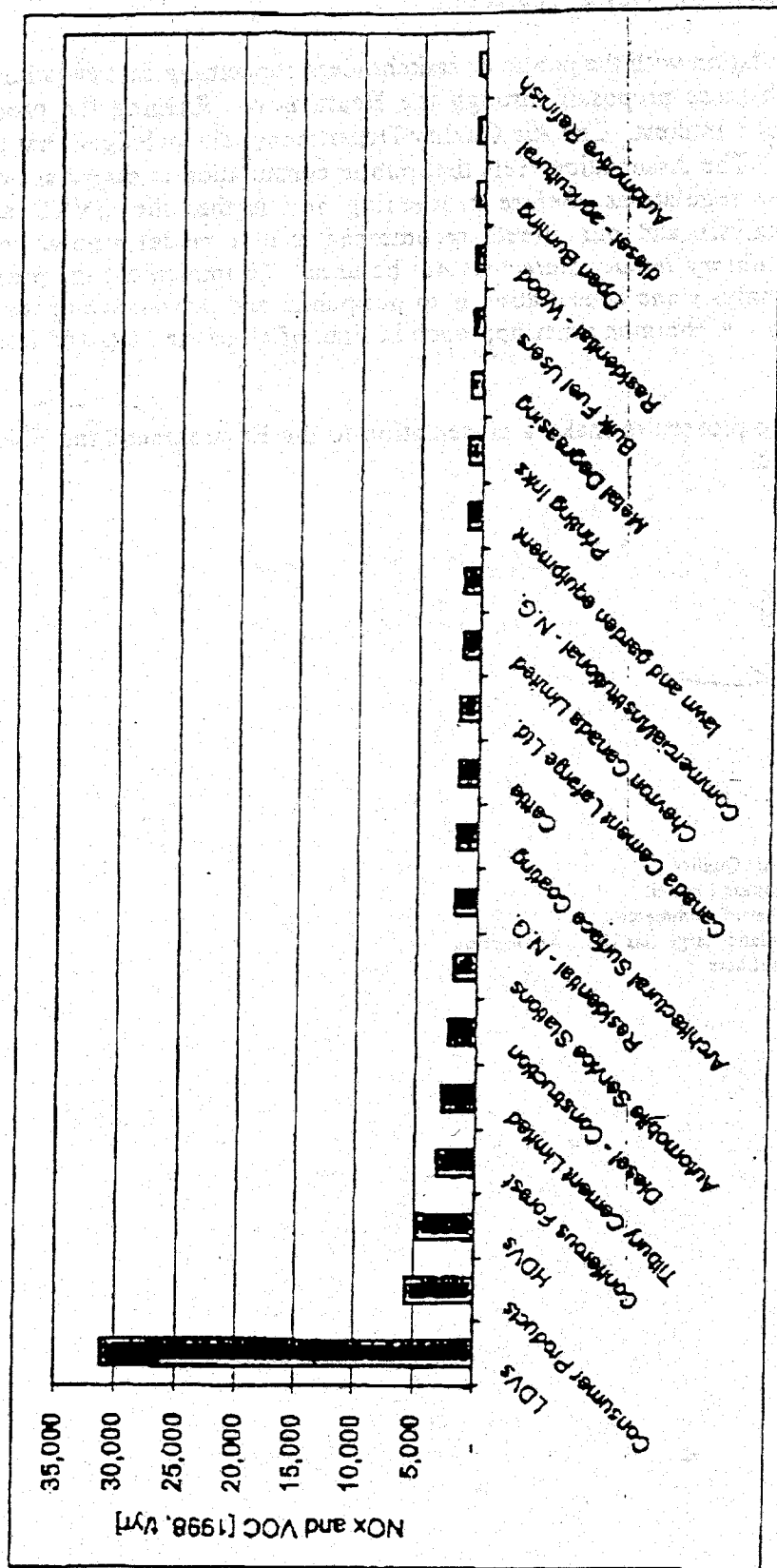


Figure S3: GVRD NOx and VOC Emissions, 1998